

Google's Updated Billing Proposal

September 29, 2017

Overview:

Google is creating new billing terms for 2018 to bring their Google Play Billing (GPB) model up to date (with Apple): All apps can have 30% revenue share for the first year and 15% revenue share in subsequent years. The shift for Netflix is that Google is proposing that only GPB is allowed in apps moving forward. This means that apps may not use their own form of billing in their app if they want to be available in the Google Play Store.

This is a shift from the way we have been operating with Google in regarding to using their billing platform to date. Specifically, they have been willing to work with Netflix to allocate certain countries at different %'s for either the Google Play MOP or the Netflix MOP to be used. Notably, Netflix's MOP performs better in key markets (like USA/CAN/UK etc). We are currently proposing an ongoing global A/B test and this proposal would likely change that outcome.

Offer to Netflix :

- Become a Platform Development Partner (Netflix is the only one this is being offered to at this time)
- Google is calling this "LRAP++"
 - Bring the revshare to 10% on the condition that Netflix have a full commitment to GPB globally. This means we offer 100% allocation of the Google MOP, even in countries where their MOP is not performing and NF is losing money.
 - Alternate option would be to agree to participate in some markets and keep 15% revshare to Google in those markets where we are performing well using the Google MOP. However, for any markets where we are not at 100% allocation, Netflix would need to move to a "consumption only" model for those markets we won't participate in. This means no ability to sign up within the Netflix application and signups would only be offered through the mobile web flow.
- **Product integration requirements:**
 - Google also wants to introduce product integration requirements part of this new model.
 - This proposal would include Netflix agreeing to content parity/ feature parity/ revenue parity (similar in structure to LRAP) across various product features and/or device lines, including Optimizing for Chromebooks, support for PlayGuide, Google Assistant for Home, VR/AR. Google is not announcing this policy change until early next year (2018).
 - Currently Netflix supports Assistant for Google Home, and Google VR (Daydream), but Netflix is currently evaluating PlayGuide and Optimizing for Chromebooks as independent requests from Google
 - Netflix is the only "Platform Development Partner", so Google is willing to iterate on this proposal.

EXHIBIT 2050

- In 9/29 call where proposal was introduced, Manrique brought up concern that this 10% billing proposal is financially negative for Netflix. Google noted we can't compare to signups in the app with Netflix as a form of payment since that won't be an option moving forward but since Netflix is the only "Platform Development Partner", Google's is ready to iterate on proposals
- ※ For reference, LRAP was signed in April of 2016 with 36 month term

Next Steps:

- Google proposed a call week of 10/2 from Jamie to Bill to discuss this proposal. This overview is context setting for broader Internal stakeholders prior to such call
- Netflix Iteration on proposal.